



# CALIFORNIA STATE BOARD OF EDUCATION

## MARCH 2004 AGENDA

<b>SUBJECT</b>  Charter School Funding Requests Pursuant to Senate Bill (SB) 740 (Chapter 892, Statutes of 2001): Approval of Determination of Funding Requests	<input checked="" type="checkbox"/> <b>Action</b>
	<input checked="" type="checkbox"/> <b>Information</b>
	<input type="checkbox"/> <b>Public Hearing</b>

### RECOMMENDATION

Approve various 2003-04 (and beyond) determination of funding requests from charter schools pursuant to *Education Code* sections 47612.5 and 47634.2, and *California Code of Regulations*, Title 5, sections 11963 to 11963.3, inclusive, based upon the recommendations of the Advisory Commission on Charter Schools (ACCS) and the California Department of Education (CDE).

### SUMMARY OF PREVIOUS STATE BOARD OF EDUCATION DISCUSSION AND ACTION

SB 740 allows funding reductions for charter schools that offer nonclassroom-based instruction. Nonclassroom-based instruction occurs when a charter school does not require attendance of its pupils at the school site under the direct supervision and control of a qualified teaching employee of the school for at least 80 percent of the required instructional time. For 2003-04 and each fiscal year thereafter, the law states that funding reductions of 30 percent of qualifying charter schools' nonclassroom-based average daily attendance (ADA) shall be made unless the State Board of Education (SBE) determines that a greater or lesser percentage is appropriate for a particular charter school. Furthermore, pursuant to SB 740, a charter school is prohibited from receiving any funding for nonclassroom-based instruction unless the SBE determines its eligibility for funding.

SB 740 also established the ACCS to develop the criteria for the SBE to use in making funding determinations. The ACCS also provides recommendations to the SBE on appropriate funding determinations for nonclassroom-based charter schools and on other aspects of the SBE's duties under the Charter Schools Act.

The SBE adopted permanent regulations that became operative in November 2003 that specified the criteria that a nonclassroom-based charter school must meet in order for the SBE to determine that the school shall receive 100 percent funding. For 2003-04 and each fiscal year thereafter, the full funding criteria are that at least 50 percent of the school's public revenues must be spent on certificated employee salaries and benefits and at least 80 percent of all revenues must be spent on instruction and instruction-related costs. Schools must spend a minimum of 40 percent on certificated employee salaries and benefits and 60 percent on instruction and instruction-related costs or the funding percentage is zero. Pursuant to the regulations, the SBE may approve a higher

## **SUMMARY OF PREVIOUS STATE BOARD OF EDUCATION DISCUSSION AND ACTION - CONTINUED**

or lower funding level than the criteria would prescribe based upon mitigating circumstances of the school that indicate that a higher or lower funding level is appropriate.

At the January 2003 meeting, the SBE approved several 2003-04 (and beyond) funding determination requests.

---

### **SUMMARY OF KEY ISSUES**

Pursuant to the SB 740 regulations, all funding determination requests are required to be submitted to the CDE by February 1. The ACCS will make recommendations on most of the remaining funding determination requests to be considered for 2003-04 at their meeting on February 19-20, 2004. There could be a few more funding determination requests for the ACCS' recommendation in March 2004 and for SBE action in May 2004.

---

### **FISCAL ANALYSIS (AS APPROPRIATE)**

A determination of funding request approved at less than the 100 percent level may result in reduced apportionment claims to the state. The reductions in claims would result in a proportionate reduction in expenditure demands for Proposition 98 funds. All Proposition 98 funds, by law, must be expended each fiscal year. Thus, a reduction in apportionment claims may be more accurately characterized as an expenditure shift than as absolute savings under typical circumstances. In 2002-03, funding determination requests approved by the SBE at less than 100 percent resulted in over \$30 million in reduced apportionment claims. The reduction in 2003-04 is expected to be smaller; however, the amount will not be known until after the Second Principal Apportionment in June 2004.

---

### **ATTACHMENT**

None. The list of charter schools submitting funding determination requests and the recommendations of the ACCS and CDE on each request will be provided at the March 2004 meeting as a Last Minute Memorandum.